

ST. CLAIR SHORES HOUSING COMMISSION
ST. CLAIR SHORES, MICHIGAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
AND
REPORTS ON COMPLIANCE AND
ON INTERNAL CONTROL

Auditing Procedures Report

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Issued under Public Act 2 of 1968, as amended.

Unit Name	St. Clair Shores Housing Commissoin	County	Type AUTHORITY	MuniCode
Opinion Date-Use Calendar	May 29, 2008	Audit Submitted-Use Calendar	Fiscal Year-Use Drop List	2007

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 0.00
General Fund Expenditure:	\$ 0.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 0.00
Governmental Activities Long-Term Debt (see instructions):	

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name) Shah	Last Name Khan	Ten Digit License Number 1102001772		
CPA Street Address P.O. Box 16180	City St. Louis	State MO	Zip Code 63105	Telephone +1 (314) 726-3308
CPA Firm Name Sailor, Khan & Co., LLC	Unit's Street Address Same	City Same		LU Zip Same

ST. CLAIR SHORES HOUSING COMMISSION
St. Clair Shores, Michigan

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Sailor

Certified Public Accountants

Khan & Co. LLC

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
St. Clair Shores Housing Commission
St. Clair Shores, Michigan

We have audited the accompanying basic financial statements of the St. Clair Shores Housing Commission, Michigan, (Commission) as of and for the year ended December 31, 2007, as listed in the table of contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

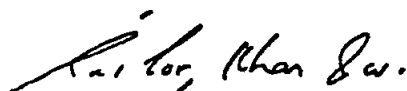
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the St. Clair Shores Housing Commission, Michigan, as of December 31, 2007, and the changes in its financial position and its cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2008, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages ii to vii is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the remaining accompanying supplemental information including the Financial Data Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Sailor, Khan & Co. LLC
May 29, 2008

St. Clair Shores Housing Commission

Management's Discussion and Analysis (MD&A) December 31, 2007 (Unaudited)

As management of the St. Clair Shores Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the St. Clair Shores Housing Commission's financial activities for the FYE 12/31/07. This discussion and analysis letter of the St. Clair Shores Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" – activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

Overview of the Financial Statements

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented as fund financial statements because the Commission only has proprietary funds.

Required Financial Statements

The Statement of Net Assets includes the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Commissions to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

**St. Clair Shores Housing Commission
(Unaudited)
Management's Discussion and Analysis (MD&A) - Continued**

Overview of the Financial Statements (Continued)

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

St. Clair Shores Housing Commission Programs:

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital Needs. The Housing Commission also has the ability to use up to 20% of these funds, if need be, to supplement Operating Subsidies. This program is the primary funding source for physical improvements to its properties.

Section 8 Housing Choice Voucher Program: Under this program, the Housing Commission administers contracts with independent landlords to provide housing for low-income households. These units are not owned by the Housing Commission. The Housing Commission subsidizes the family's rent via a "Housing Assistance Payment" made directly to the landlord. HUD provides subsidy to the Housing Commission to enable the Housing Commission to set the rental rates at 30% of a participant's income.

Entity-Wide Financial Highlights:

The following Federal Assistance was received during FYE 12/31/07:

	<u>FYE 12/31/07</u>	<u>FYE 12/31/06</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Public Housing Operating Subsidy	\$ 291,681	\$ 235,410	\$ 56,271	23.90%
Capital Fund Program Grants	662,959	286,403	376,556	131.48%
Sec. 8 Voucher	579,043	529,900	49,143	9.27%
Total	<u>\$ 1,533,683</u>	<u>\$ 1,051,713</u>	<u>\$ 481,970</u>	<u>45.83%</u>

The subsidy for Public Housing increased due to the implementation of the new Operating Fund formula.

The subsidy for Sec. 8 increased primarily due to increases in HAP costs.

The increase in Capital Fund Grants was due to the fact work projects during FYE 12/31/07 proceeded along at a much faster pace than in FYE 12/31/06.

St. Clair Shores Housing Commission
(Unaudited)
Management's Discussion and Analysis (MD&A) - Continued

Entity-Wide Financial Highlights: (Continued)

The following represents Condensed Statement of Net Assets:

Condensed Statements of Net Assets
December 31,

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and other assets	\$ 1,412,380	\$ 1,234,683	\$ 177,697	14.4%
Restricted assets	76,314	----	76,314	100.0%
Capital assets	5,629,742	5,462,174	167,568	3.1%
Total Assets	<u>7,118,436</u>	<u>6,696,857</u>	<u>421,579</u>	6.3%
Current liabilities	230,712	220,797	9,915	4.5%
Noncurrent liabilities	27,211	25,071	2,140	8.5%
Total Liabilities	<u>257,923</u>	<u>245,868</u>	<u>12,055</u>	4.9%
Net Assets				
Invested in capital assets	5,629,742	5,462,174	167,568	3.1%
Restricted for HAP	76,314	----	76,314	100.0%
Unrestricted	1,154,457	988,815	165,642	16.8%
Total Net Assets	<u>\$ 6,860,513</u>	<u>\$ 6,450,989</u>	<u>\$ 409,524</u>	6.3%

- Current and other assets increased substantially due mainly to two factors:
 1. Cash increased in the Sec. 8 Program due to excess HAP funds received during FYE 12/31/07.
 2. Cash also increased in the Public Housing Program in proportion to the operating income (excluding depreciation charges) posted by the Public Housing Program.
- Fixed Assets increased by \$167,568; this increase represents several capital projects funded through the Capital Fund Programs as detailed later in this report. Although Fixed Assets increased by \$564,820, this was partially offset by depreciation charges of \$397,252 and equipment disposal charges of \$4,717, resulting in the net increase stated in the above table.
- Total Assets increased by 6.3%, as explained in the above Asset sub-sections.
- Current Liabilities increased by just 4.5%. Most liabilities remained at approximately the same levels as last year, except for the PILOT liability for FYE 12/31/07 which increased by 11% based on the formula for calculating this expense.
- Noncurrent liabilities increased by 8.5%. The sole Long-Term Liability we have is for Accrued Compensated Absences which increased during FYE 12/31/07.
- Total Liabilities increased overall by just 4.9%, as discussed in the above Liability sub-sections.

St. Clair Shores Housing Commission
(Unaudited)
Management's Discussion and Analysis (MD&A) - Continued

Entity-Wide Financial Highlights: (Continued)

- Total Net Assets is comprised of three components: Invested in Capital Assets, which mirrors the increase in Fixed Assets, Net of Depreciation as explained above. Restricted for HAP, which represents unspent HAP subsidy. There was also a substantial increase in the Equity section for Section 8 due to the HUD-issued accounting changes in the Section 8 Housing Choice Voucher program (PIH Notice #2006-3). The bulk of the Sec. 8 Voucher equity, however, is restricted to future HAP use. The other component is Unrestricted Net Assets, or what used to be called Operating Reserves. This figure increased due to the Operating Income generated by the Public Housing Program for FYE 12/31/07.

The following schedule is the condensed Statement of Revenues, Expenses and Change in Net Assets:

Condensed Statements of Revenues, Expenses and Changes in Net Assets
Year Ended December 31,

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues and Contributions				
Operating - non-operating -capital contributions:				
Rental revenue	\$ 849,698	\$ 796,715	\$ 52,983	6.7%
HUD operating grants	968,864	863,807	105,057	12.2%
Interest income	57,090	37,740	19,350	51.3%
Capital Contributions	564,820	187,906	376,914	200.6%
Other income	13,440	10,702	2,738	25.6%
Total Revenues and Contributions	<u>2,453,912</u>	<u>1,896,870</u>	<u>557,042</u>	29.4%
Expenses				
Personal services	663,931	644,091	19,840	3.1%
Utilities	201,194	219,520	(18,326)	-8.3%
Operations and maintenance	135,140	118,979	16,161	13.6%
Non routine maintenance	1,539	17,388	(15,849)	-91.1%
Insurance	42,910	43,720	(810)	-1.9%
Payment in lieu of taxes	62,106	55,727	6,379	11.4%
Other supplies and expenses	78,751	74,062	4,689	6.3%
Housing assistance payments	461,565	488,302	(26,737)	-5.5%
Depreciation	397,252	400,406	(3,154)	-0.8%
Total Expenses	<u>2,044,388</u>	<u>2,062,195</u>	<u>(17,807)</u>	-0.9%
Change in net assets	409,524	(165,325)	574,849	
Beginning net assets	<u>6,450,989</u>	<u>6,616,314</u>	<u>(165,325)</u>	
Ending net assets	\$ <u><u>6,860,513</u></u>	\$ <u><u>6,450,989</u></u>	\$ <u><u>409,524</u></u>	

St. Clair Shores Housing Commission
(Unaudited)
Management's Discussion and Analysis (MD&A) - Continued

Entity-Wide Financial Highlights: (Continued)

Revenues:

St. Clair Shores Housing Commission's primary revenue sources are subsidies and grants received by HUD. For FYE 12/31/07, revenue generated by the Commission accounted for \$920,228 (or 37.5% of total revenue), while HUD contributions accounted for \$1,533,684 (or 62.5% of total revenue). Investment Income increased due to rising interest rates.

Expenses:

Total Expenses for FYE 12/31/07 were \$2,044,388 while for FYE 12/31/06 the total was \$2,062,195. This represents a 0.9% decrease in our Operating Costs. Despite the overall decrease, we had a few cost areas that experienced increases above the rate of inflation.

- The increase in operations and maintenance is attributable to an increase in unit turnovers. We perform most of the tasks associated with turnover costs in-house, but we must purchase materials with which to perform the repairs and we do contract out the painting of the units. We had approximately 31 turnovers in FYE 12/31/07 compared with 25 in FYE 12/31/06. The majority of these turnovers took place in our elderly buildings.
- Payments in lieu of taxes increased due to two factors: our Tenant Revenue increased over 12/31/06 levels and our Utilities expenses decreased from the 2006 levels. PILOT is 10% of the difference between these two numbers; since the gap between these two figures widened in 2007 so did the PILOT expense.
- Other supplies and expenses: For the most part, this area increased across the board in most administrative areas at the rate of inflation, but we did have larger than normal legal bills during 12/31/07 relating to an employee issue.

Budget Analysis:

A Low Rent Public Housing Operating Budget for FYE 12/31/07 was presented to and approved by the Board of Commissioners. We had no reason to amend the budget during the fiscal year. Actual results were in line with budgeted amounts.

Entity-Wide Operational Highlights:

The St. Clair Shores Housing Commission provided the following housing for low- income elderly and low-income families. During FYE 12/31/07, St. Clair Shores Housing Commission maintained a lease-up rate of 99.7% in its Public Housing Program and a lease-up rate of 96.2% in its Section 8 program. Even though our lease-up rate for Sec. 8 dipped below optimum levels for the year, we were 100% leased up in that program for the last two months of the fiscal year and continue to monitor our occupancy rates.

**St. Clair Shores Housing Commission
(Unaudited)
Management's Discussion and Analysis (MD&A) - Continued**

Entity-Wide Operational Highlights (Continued):

During FYE 12/31/07, our Capital Fund Program work projects included:

- Senior buildings: We replaced our Make-Up Air Units and we replaced the windows throughout Leisure Manor II.
- Scattered Site Housing: The main projects at our scattered site houses were flooring replacements and outside site work.

Economic Factors and Next Year's Budget and Rates

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that, in the short term, we are both financially and operationally in a strong position to continue to provide safe, sanitary, and decent housing to our residents.

Request for Information

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Mary A. Walsh, Executive Director
St. Clair Shores Housing Commission
1000 Blossom Heath Blvd.
St. Clair Shores Housing Commission

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

STATEMENT OF NET ASSETS

December 31, 2007

ASSETS

Current Assets:

Cash and cash equivalents	\$ 385,014.30
Investments	964,799.64
Receivable - net of allowances:	
Accounts	4,121.30
Accrued interest	18,289.00
Inventory - net of allowances	11,534.07
Prepaid expenses	<u>28,621.90</u>

Total Current Assets 1,412,380.21

Noncurrent Assets:

Restricted assets:

Cash and cash equivalents	<u>76,314.00</u>
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Total restricted assets 76,314.00

Capital assets:

Land, improvements, and construction in progress	526,000.00
Other capital assets, net of depreciation	<u>5,103,742.32</u>

Total capital assets- net 5,629,742.32

Total Noncurrent Assets 5,706,056.32

Total Assets \$ 7,118,436.53

See notes to financial statements

ST. CLAIR SHORES HOUSING COMMISSION
St. Clair Shores, Michigan
STATEMENT OF NET ASSETS (CONTINUED)
December 31, 2007

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 119,622.02
Accrued salaries, wages and benefits	31,414.08
Accrued compensated absences	3,023.00
Tenant security deposit liability	74,793.00
Deferred revenues	<u>1,859.73</u>

Total Current Liabilities	<u>230,711.83</u>
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Noncurrent Liabilities:

Accrued compensated absences	<u>27,211.59</u>
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Total Noncurrent Liabilities	<u>27,211.59</u>
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Total Liabilities	<u>257,923.42</u>
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NET ASSETS

Invested in capital assets	5,629,742.32
Restricted for:	
HAP	76,314.00
Unrestricted	<u>1,154,456.79</u>

Total Net Assets	<u>6,860,513.11</u>
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Total Liabilities and Net Assets	<u><u>\$ 7,118,436.53</u></u>
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See notes to financial statements

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

For Year Ended December 31, 2007

Operating Revenues:

Rental revenue	\$ 849,697.97
Operating subsidies- HUD grants	968,863.56
Other revenues	<u>13,440.56</u>
Total operating revenues	<u>1,832,002.09</u>

Operating Expenses:

Personal services	663,931.26
Utilities	201,194.19
Operations and maintenance	135,139.75
Non routine maintenance	1,538.60
Insurance	42,910.00
Payment in lieu of taxes	62,105.87
Other supplies and expenses	78,751.01
Housing assistance payments	461,565.00
Depreciation	<u>397,251.62</u>
Total operating expenses	<u>2,044,387.30</u>
Operating income (loss)	<u>(212,385.21)</u>

Non-operating revenues (expenses):

Interest and investment earnings	<u>57,089.69</u>
Net non-operating revenues (expenses)	<u>57,089.69</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	(155,295.52)

Capital contributions	<u>564,819.65</u>
Change in net assets	409,524.13
Net assets at beginning of year	<u>6,450,988.98</u>
Net assets at end of year	<u>\$ 6,860,513.11</u>

See notes to financial statements

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

STATEMENT OF CASH FLOWS

For Year Ended December 31, 2007

Cash flows from operating activities:

Cash received from tenants	\$ 851,234.23
Cash received from HUD grants- operating	968,863.56
Cash received from other operating activities	12,161.76
Cash payments for goods and services	(917,613.22)
Cash payments to employees-salaries	(413,198.38)
Cash payments to employees-compensated absences	0.49
Cash payments for employee benefit contributions	(246,145.70)
Cash payments for in lieu of property taxes	<u>(55,727.00)</u>

Net cash provided (used) by operating activities	<u>199,575.74</u>
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Cash flows from capital and related financing activities:

Capital contributions	582,388.62
Payments for capital assets	<u>(565,535.65)</u>

Net cash (used) for capital and related financing activities	<u>16,852.97</u>
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Cash flows from investing activities:

Proceeds from sale of (payments) for investments	(30,622.64)
Interest and dividends	51,494.69
Receipts (payments) from tenant security deposits	<u>1,116.00</u>

Net cash provided (used) from investing activities	<u>21,988.05</u>
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Net increase (decrease) in cash and cash equivalents	238,416.76
Cash and cash equivalents at beginning of year	<u>222,911.54</u>

Cash and cash equivalents at end of year	<u><u>\$ 461,328.30</u></u>
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Cash and cash equivalents	\$ 385,014.30
Restricted cash and cash equivalents	<u>76,314.00</u>

Total cash and cash equivalents at end of year	<u><u>\$ 461,328.30</u></u>
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See notes to financial statements

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

STATEMENT OF CASH FLOWS (CONTINUED)

For Year Ended December 31, 2007

**Reconciliation of operating income (loss) to net cash
provided (used) by operating activities:**

Operating income (loss)	\$ (212,385.21)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	397,251.62
Allowance for doubtful accounts	(4,557.88)
Allowance for inventory	1,281.56
Changes in assets and liabilities:	
Receivables	4,073.61
Inventory	4,209.37
Prepaid expenses	(1,952.90)
Accounts and other payables	6,326.17
Deferred revenues	741.73
Compensated absences	2,377.59
Accrued expenses	<u>2,210.08</u>
Net cash provided (used) by operating activities	<u>\$ 199,575.74</u>

See notes to financial statements

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2007

NOTE 1 - Summary of Significant Accounting Policies

The St. Clair Shores Housing Commission (Commission) is a non-profit entity established to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1a. Financial Reporting Entity

The Housing Commission's financial reporting entity comprises the following:

Primary Government: Housing Commission

In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39, "The Financial Reporting Entity," and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

1b. Basis of Presentation

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Commission's programs as an enterprise fund.

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2007

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1b. Basis of Presentation (Continued)

Following is a description of the Commission's programs:

Program	Brief Description
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Housing Choice Vouchers	Accounts for activities of the Voucher program which assists very low-income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.

1c. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the financial statements, the "economic resources" measurement focus is used as follows:

- ▶ The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2007

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1d. Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2b. and 3a.

Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable, fraud recovery and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

Budgets and Budgetary Accounting

The Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

Estimates and Assumptions

The Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2007

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1d. Assets, Liabilities, and Equity (Continued)

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$500.00 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40	years
Furniture, equipment and machinery - dwelling	7	years
Furniture, equipment and machinery - administration	3 - 7	years
Leasehold improvements	15	years

Restricted Assets

Restricted assets include cash and investments legally restricted as to their use. The primary restricted assets are related to unspent HAP subsidy on the housing choice vouchers program which is a HUD program.

Compensated Absences

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2007

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1d. Assets, Liabilities, and Equity (Continued)

Equity Classifications

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt-Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Commission had no related debt.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

1e. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

Interfund Transfers

For the purposes of the Statement of Revenues, Expenses and Change in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

NOTE 2 - Stewardship, Compliance, and Accountability

The Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Commission's compliance with significant laws and regulations and demonstration of its stewardship over Commission resources follows.

2a. Program Accounting Requirements

The Commission complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Commission are as follows:

Program	Required By
Public and Indian Housing	U.S. Department of Housing and Urban Development
Housing Choice Vouchers	U.S. Department of Housing and Urban Development
Capital Fund Program	U.S. Department of Housing and Urban Development

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2007

NOTE 2 - Stewardship, Compliance, and Accountability (Continued)

2b. Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of the Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Commission must have a written collateral agreement. As reflected in Note 3a., all deposits were fully insured or collateralized.

Investments of the Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

2c. Revenue Restrictions

The Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<i>Revenue Source</i>	<i>Legal Restrictions of Use</i>
Capital Fund Program	Modernization

For the year ended December 31, 2007, the Commission complied, in all material respects, with these revenue restrictions.

NOTE 3 - Detail Notes on Transaction Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3a. Cash and Investments

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it or the Commission will not be able to recover collateral securities in the possession of an outside party. As of December 31, 2007, the Commission's bank balances of \$461,737.30, were insured by federal depository insurance or collateralized with securities held by the pledging financial institutions in the Commission's name.

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2007

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3a. Cash and Investments (Continued)

Investments

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2007, the Commission's investments were \$964,799.64. These investments were insured by federal depository insurance or registered, or securities held by the Commission or its agent in the Commission's name.

Credit Risk Investments, Concentrations of Credit Risk and Interest Rate Risk - Investments:

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Commission will minimize credit risk by reviewing the financial institutions with which the Commission will do business so that potential losses on individual securities will be minimized.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Commission will minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements and investing operating funds primarily in shorter term securities.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Commission's investment in a single issuer. The Commission does not have a written investment policy covering concentration of credit risk.

3b. Restricted Assets

The restricted assets as of December 31, 2007, are as follows:

Type of Restricted Assets	Cash Including Time Deposits	Investments	Total
Unspent HAP subsidy	\$ 76,314.00	\$ ----	\$ 76,314.00
	<u>\$ 76,314.00</u>	<u>\$ ----</u>	<u>\$ 76,314.00</u>

Restricted assets are considered non-current since their utilization in the next operating cycle is neither required nor expected.

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2007

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3c. Accounts Receivable

Receivables detail at December 31, 2007, is as follows:

Tenant accounts receivable	\$	147.19	
Allowance for doubtful accounts		<u>(14.72)</u>	
Tenants accounts receivable - net			\$ 132.47
Fraud recovery	\$	5,115.20	
Allowance for doubtful accounts		<u>(3,836.40)</u>	
Fraud recovery - net			1,278.80
Accounts receivable - HUD			<u>2,710.03</u>
			<u>\$ 4,121.30</u>

3d. Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

	Balance January 1, 2007	Additions	(Retirements)	Balance December 31, 2007
Land	\$ 526,000.00	\$ ----	\$ ----	\$ 526,000.00
Building	7,023,857.18	----	----	7,023,857.18
Furniture, equipment and machinery- dwelling	85,683.01	----	(649.47)	85,033.54
Furniture, equipment and machinery- administration	146,295.00	3,083.00	(4,067.07)	145,310.93
Leasehold improvements	3,594,911.45	561,736.65	----	4,156,648.10
	11,376,746.64	<u>\$ 564,819.65</u>	<u>\$ (4,716.54)</u>	11,936,849.75
Accumulated depreciation	5,914,572.35	<u>\$ 397,251.62</u>	<u>\$ (4,716.54)</u>	<u>6,307,107.43</u>
Total	<u>\$ 5,462,174.29</u>			<u>\$ 5,629,742.32</u>

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2007

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3e. Accounts Payable

Payable detail at December 31, 2007, is as follows:

Accounts payable - vendors	\$ 14,229.90
Accounts payable - other government - PILOT	62,105.87
Accrued liabilities - other	43,286.25
	<u>\$ 119,622.02</u>

3f. Compensated Absences

Accumulated unpaid compensated absences are accrued. The liability for compensated absences at December 31, 2007 is \$30,234.59.

3g. Non-current Liabilities

As of December 31, 2007, the non-current liabilities are comprised of the following:

Accrued compensated absences - non current portion	\$ 27,211.59
Total	<u>\$ 27,211.59</u>

The following is a summary of changes in non-current liabilities for the year ended December 31, 2007:

	<u>Balance December 31, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2007</u>	<u>Amounts Due within One Year</u>
Accrued compensated absences	\$ 25,071.00	\$ 2,140.59	\$ ----	\$ 27,211.59	\$ 3,023.00
Total	<u>\$ 25,071.00</u>	<u>\$ 2,140.59</u>	<u>\$ ----</u>	<u>\$ 27,211.59</u>	<u>\$ 3,023.00</u>

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2007

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3h. Interprogram Transactions and Balances

Operating Transfers

	Transfers in	Transfers out
Public and Indian Housing - Low Rent Capital Fund Program	\$ 50,700.00 ----	\$ ---- 50,700.00
Total	\$ 50,700.00	\$ 50,700.00

Transfers are used to move revenues from the program that is authorized to transfer them to the program in accordance with budgetary authorizations.

Interprogram Receivable/Payable

Public and Indian Housing - Low Rent Housing Choice Vouchers Capital Fund Program	\$ 57,721.17 (55,011.14) (2,710.03)
Total	\$ ----

NOTE 4 - Other Notes

4a. Employee Retirement Plan

Defined Benefit Plan: The Commission has also provided a defined benefit plan. A defined benefit plan depends on the amount of pension benefits to be provided at a future date or after a certain period of time; the amount specified usually is a function of one or more factors such as age, years of service, and compensation. The St. Clair Shores Housing Commission contributes to the Municipal Employees Retirement System of Michigan (System), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for all Michigan municipal employees. The System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 North Canal Street, Lansing, MI 48917-9755. Benefits vest after ten years of service. The Commission contributed 12.23 percent of covered payroll.

For the year ended December 31, 2007, the following amounts related to the defined contribution plan:

Commission total payroll	\$ 415,408.46
Payroll for covered employees	\$ 413,646.03
Employer (Commission) contributions made	\$ 50,588.91

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2007

NOTE 4 - Other Notes (Continued)

4b. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Commission manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Torts, errors and omissions	Purchased insurance with Housing Authority Insurance Group.
b. Injuries to employees (workers' compensation)	Purchased insurance with Accident Fund - Insurance Company of America; Claims are administered by CIA Financial Group Inc.
c. Physical property loss and natural disasters	Purchased commercial insurance with \$ 1,000 deductibles.
d. Health and life	Purchased health and life insurance is provided by Blue Cross/Blue Shield.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4c. Economic Dependency

The St. Clair Shores Housing Commission receives a significant portion of its revenue from funds provided through Federal grants. The grant amounts are appropriated each year at the Federal level. The amount of the funds the Commission receives could be reduced significantly and have an adverse impact on its operations.

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2007

NOTE 4 - Other Notes (Continued)

4d. Commitments and Contingencies

Commitments—Construction

At December 31, 2007, the Commission had the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
CFP 501-06	\$ 335,022.00	\$ 326,038.85
CFP 501-07	<u>331,062.00</u>	<u>1,056.00</u>
	<u>\$ 666,084.00</u>	<u>\$ 327,094.85</u>

Contingencies

The Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

The Authority is a defendant in a complaint involving discrimination. The ultimate outcome of the complaint cannot presently be determined, and no provision for any liability that may result, if any, has been made in the financial statements.

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM

December 31, 2007

	Low Rent Program	Housing Choice Vouchers
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 325,381.23	\$ 59,633.07
Investments	964,799.64	-----
Receivable - net of allowances:		
Accounts	1,411.27	-----
Accrued interest	18,289.00	-----
Due from (to) interprogram	57,721.17	(55,011.14)
Inventory - net of allowances	11,534.07	-----
Prepaid expenses	26,519.90	2,102.00
	<u>1,405,656.28</u>	<u>6,723.93</u>
Total Current Assets		
Noncurrent Assets:		
Restricted assets:		
Cash and cash equivalents	-----	76,314.00
	<u>-----</u>	<u>76,314.00</u>
Total restricted assets		
Capital assets:		
Land, improvements, and construction in progress	526,000.00	-----
Other capital assets, net of depreciation	4,343,132.74	-----
	<u>4,869,132.74</u>	<u>-----</u>
Total capital assets- net		
Total Noncurrent Assets	<u>4,869,132.74</u>	<u>76,314.00</u>
Total Assets	\$ <u>6,274,789.02</u>	\$ <u>83,037.93</u>

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

December 31, 2007

	Low Rent Program	Housing Choice Vouchers
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 119,222.02	\$ 400.00
Accrued salaries, wages and benefits	31,414.08	----
Accrued compensated absences	3,023.00	----
Tenant security deposit liability	74,793.00	----
Deferred revenues	1,859.73	----
Total Current Liabilities	<u>230,311.83</u>	<u>400.00</u>
Noncurrent Liabilities:		
Accrued compensated absences	<u>27,211.59</u>	<u>----</u>
Total Noncurrent Liabilities	<u>27,211.59</u>	<u>----</u>
Total Liabilities	<u>257,523.42</u>	<u>400.00</u>
NET ASSETS		
Invested in capital assets	4,869,132.74	----
Restricted for:		
HAP	----	76,314.00
Unrestricted	<u>1,148,132.86</u>	<u>6,323.93</u>
Total Net Assets	<u>6,017,265.60</u>	<u>82,637.93</u>
Total Liabilities and Net Assets	<u>\$ 6,274,789.02</u>	<u>\$ 83,037.93</u>

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

December 31, 2007

	<u>Capital Fund Program</u>	<u>Totals</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ -----	\$ 385,014.30
Investments	-----	964,799.64
Receivable - net of allowances:		
Accounts	2,710.03	4,121.30
Accrued interest	-----	18,289.00
Due from (to) interprogram	(2,710.03)	-----
Inventory - net of allowances	-----	11,534.07
Prepaid expenses	-----	28,621.90
	<u>-----</u>	<u>-----</u>
Total Current Assets	<u>-----</u>	<u>1,412,380.21</u>
Noncurrent Assets:		
Restricted assets:		
Cash and cash equivalents	<u>-----</u>	<u>76,314.00</u>
	<u>-----</u>	<u>76,314.00</u>
Capital assets:		
Land, improvements, and construction in progress	-----	526,000.00
Other capital assets, net of depreciation	<u>760,609.58</u>	<u>5,103,742.32</u>
	<u>760,609.58</u>	<u>5,629,742.32</u>
Total capital assets- net	<u>760,609.58</u>	<u>5,629,742.32</u>
Total Noncurrent Assets	<u>760,609.58</u>	<u>5,706,056.32</u>
Total Assets	<u>\$ 760,609.58</u>	<u>\$ 7,118,436.53</u>

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

December 31, 2007

	Capital Fund Program	Totals
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ -----	\$ 119,622.02
Accrued salaries, wages and benefits	-----	31,414.08
Accrued compensated absences	-----	3,023.00
Tenant security deposit liability	-----	74,793.00
Deferred revenues	-----	1,859.73
Total Current Liabilities	-----	230,711.83
Noncurrent Liabilities:		
Accrued compensated absences	-----	27,211.59
Total Noncurrent Liabilities	-----	27,211.59
Total Liabilities	-----	257,923.42
NET ASSETS		
Invested in capital assets	760,609.58	5,629,742.32
Restricted for:		
HAP	-----	76,314.00
Unrestricted	-----	1,154,456.79
Total Net Assets	760,609.58	6,860,513.11
Total Liabilities and Net Assets	\$ 760,609.58	\$ 7,118,436.53

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

**COMBINING STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN FUND NET ASSETS BY PROGRAM**

For Year Ended December 31, 2007

	Low Rent Program	Housing Choice Vouchers
Operating Revenues:		
Rental revenue	\$ 849,697.97	\$ -----
Operating subsidies- HUD grants	291,681.00	579,043.00
Other revenues	11,546.56	1,894.00
Total operating revenues	<u>1,152,925.53</u>	<u>580,937.00</u>
Operating Expenses:		
Personal services	587,431.26	45,000.00
Utilities	201,194.19	-----
Operations and maintenance	133,112.75	-----
Non routine maintenance	1,538.60	-----
Insurance	42,910.00	-----
Payment in lieu of taxes	62,105.87	-----
Other supplies and expenses	62,438.45	2,400.00
Housing assistance payments	-----	461,565.00
Depreciation	359,289.31	-----
Total operating expenses	<u>1,450,020.43</u>	<u>508,965.00</u>
Operating income (loss)	<u>(297,094.90)</u>	<u>71,972.00</u>
Non-operating revenues (expenses):		
Interest and investment earnings	<u>53,205.30</u>	<u>3,884.39</u>
Net non-operating revenues (expenses)	<u>53,205.30</u>	<u>3,884.39</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	(243,889.60)	75,856.39
Operating transfers in (out)	<u>50,700.00</u>	<u>-----</u>
Change in net assets	(193,189.60)	75,856.39
Net assets at beginning of year	<u>6,210,455.20</u>	<u>6,781.54</u>
Net assets at end of year	<u>\$ 6,017,265.60</u>	<u>\$ 82,637.93</u>

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

**COMBINING STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN FUND NET ASSETS BY PROGRAM (CONTINUED)**

For Year Ended December 31, 2007

	Capital Fund Program	Totals
Operating Revenues:		
Rental revenue	\$ -----	\$ 849,697.97
Operating subsidies- HUD grants	98,139.56	968,863.56
Other revenues	-----	13,440.56
	<u>98,139.56</u>	<u>1,832,002.09</u>
Total operating revenues		
Operating Expenses:		
Personal services	31,500.00	663,931.26
Utilities	-----	201,194.19
Operations and maintenance	2,027.00	135,139.75
Non routine maintenance	-----	1,538.60
Insurance	-----	42,910.00
Payment in lieu of taxes	-----	62,105.87
Other supplies and expenses	13,912.56	78,751.01
Housing assistance payments	-----	461,565.00
Depreciation	37,962.31	397,251.62
	<u>85,401.87</u>	<u>2,044,387.30</u>
Total operating expenses		
Operating income (loss)	<u>12,737.69</u>	<u>(212,385.21)</u>
Non-operating revenues (expenses):		
Interest and investment earnings	-----	57,089.69
	<u>-----</u>	<u>57,089.69</u>
Net non-operating revenues (expenses)		
Income (loss) before other revenues, expenses, gains, losses and transfers	12,737.69	(155,295.52)
Capital contributions	564,819.65	564,819.65
Operating transfers in (out)	(50,700.00)	-----
	<u>526,857.34</u>	<u>409,524.13</u>
Change in net assets		
Net assets at beginning of year	<u>233,752.24</u>	<u>6,450,988.98</u>
Net assets at end of year	<u>\$ 760,609.58</u>	<u>\$ 6,860,513.11</u>

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM

For Year Ended December 31, 2007

	Low Rent Program	Housing Choice Vouchers
Cash flows from operating activities:		
Cash received from tenants	\$ 851,234.23	\$ -----
Cash received from HUD grants- operating	291,681.00	579,043.00
Cash received from other operating activities	10,267.76	1,894.00
Cash payments for goods and services	(435,406.66)	(466,267.00)
Cash payments to employees-salaries	(348,698.38)	(33,000.00)
Cash payments to employees-compensated absences	0.49	-----
Cash payments for employee benefit contributions	(234,145.70)	(12,000.00)
Cash payments for in lieu of property taxes	<u>(55,727.00)</u>	<u>-----</u>
Net cash provided (used) by operating activities	<u>79,205.74</u>	<u>69,670.00</u>
Cash flows from noncapital financing activities:		
Operating transfers in (out)	50,700.00	-----
Receipts (payments) from interprograms	<u>(3,682.14)</u>	<u>3,682.14</u>
Net cash provided (used) from non capital financing activities	<u>47,017.86</u>	<u>3,682.14</u>
Cash flows from capital and related financing activities:		
Receipts (payments) from interprograms	<u>16,852.97</u>	<u>-----</u>
Net cash (used) for capital and related financing activities	<u>16,852.97</u>	<u>-----</u>
Cash flows from investing activities:		
Proceeds from sale of (payments) for investments	(30,622.64)	-----
Interest and dividends	47,610.30	3,884.39
Receipts (payments) from tenant security deposits	<u>1,116.00</u>	<u>-----</u>
Net cash provided (used) from investing activities	<u>18,103.66</u>	<u>3,884.39</u>
Net increase (decrease) in cash and cash equivalents	161,180.23	77,236.53
Cash and cash equivalents at beginning of year	<u>164,201.00</u>	<u>58,710.54</u>
Cash and cash equivalents at end of year	<u>\$ 325,381.23</u>	<u>\$ 135,947.07</u>
Cash and cash equivalents	\$ 325,381.23	\$ 59,633.07
Restricted cash and cash equivalents	<u>-----</u>	<u>76,314.00</u>
Total cash and cash equivalents at end of year	<u>\$ 325,381.23</u>	<u>\$ 135,947.07</u>

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended December 31, 2007

	<u>Low Rent Program</u>	<u>Housing Choice Vouchers</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (297,094.90)	\$ 71,972.00
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	359,289.31	----
Allowance for doubtful accounts	(4,557.88)	----
Allowance for inventory	1,281.56	----
Changes in assets and liabilities:		
Receivables	4,073.61	----
Inventory	4,209.37	----
Prepaid expenses	149.10	(2,102.00)
Accounts and other payables	6,526.17	(200.00)
Deferred revenues	741.73	----
Compensated absences	2,377.59	----
Accrued expenses	<u>2,210.08</u>	<u>----</u>
Net cash provided (used) by operating activities	<u>\$ 79,205.74</u>	<u>\$ 69,670.00</u>

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended December 31, 2007

	Capital Fund Program	Totals
Cash flows from operating activities:		
Cash received from tenants	\$ -----	\$ 851,234.23
Cash received from HUD grants- operating	98,139.56	968,863.56
Cash received from other operating activities	-----	12,161.76
Cash payments for goods and services	(15,939.56)	(917,613.22)
Cash payments to employees-salaries	(31,500.00)	(413,198.38)
Cash payments to employees-compensated absences	-----	0.49
Cash payments for employee benefit contributions	-----	(246,145.70)
Cash payments for in lieu of property taxes	-----	(55,727.00)
Net cash provided (used) by operating activities	<u>50,700.00</u>	<u>199,575.74</u>
Cash flows from noncapital financing activities:		
Operating transfers in (out)	<u>(50,700.00)</u>	<u>-----</u>
Net cash provided (used) from non capital financing activities	<u>(50,700.00)</u>	<u>-----</u>
Cash flows from capital and related financing activities:		
Capital contributions	582,388.62	582,388.62
Receipts (payments) from interprograms	(16,852.97)	-----
Payments for capital assets	<u>(565,535.65)</u>	<u>(565,535.65)</u>
Net cash (used) for capital and related financing activities	<u>-----</u>	<u>16,852.97</u>
Cash flows from investing activities:		
Proceeds from sale of (payments) for investments	-----	(30,622.64)
Interest and dividends	-----	51,494.69
Receipts (payments) from tenant security deposits	<u>-----</u>	<u>1,116.00</u>
Net cash provided (used) from investing activities	<u>-----</u>	<u>21,988.05</u>
Net increase (decrease) in cash and cash equivalents	-----	238,416.76
Cash and cash equivalents at beginning of year	<u>-----</u>	<u>222,911.54</u>
Cash and cash equivalents at end of year	\$ <u>-----</u>	\$ <u>461,328.30</u>
Cash and cash equivalents	\$ -----	\$ 385,014.30
Restricted cash and cash equivalents	<u>-----</u>	<u>76,314.00</u>
Total cash and cash equivalents at end of year	\$ <u>-----</u>	\$ <u>461,328.30</u>

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended December 31, 2007

	<u>Capital Fund Program</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 12,737.69	\$ (212,385.21)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	37,962.31	397,251.62
Allowance for doubtful accounts	----	(4,557.88)
Allowance for inventory	----	1,281.56
Changes in assets and liabilities:		
Receivables	----	4,073.61
Inventory	----	4,209.37
Prepaid expenses	----	(1,952.90)
Accounts and other payables	----	6,326.17
Deferred revenues	----	741.73
Compensated absences	----	2,377.59
Accrued expenses	----	2,210.08
	<u>50,700.00</u>	<u>199,575.74</u>
Net cash provided (used) by operating activities	\$ <u>50,700.00</u>	\$ <u>199,575.74</u>

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
NOTES TO THE SCHEDULE OF FEDERAL AWARDS**

Year Ended December 31, 2007

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Fiscal Year</u>	<u>Federal Grantor</u>	<u>Federal CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	Public and Indian Housing Nonmajor - Direct Program		
2007	Low Rent Program	14.850a	\$ <u>291,681.00</u>
	Low Income Public Housing Major - Direct Program		
2007	Housing Choice Vouchers	14.871	\$ <u>579,043.00</u>
	Public and Indian Housing Major - Direct Program		
2007	Capital Fund program	14.872	\$ <u>662,959.21</u>
	Total		\$ <u>1,533,683.21</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1 - Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

**PHA'S STATEMENT AND CERTIFICATION OF
CAPITAL FUND PROGRAM COSTS**

December 31, 2007

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-04</u>
Funds approved	\$ 369,545.00
Funds expended	<u>369,545.00</u>
Excess of Funds Approved	\$ <u>-----</u>
Funds advanced	\$ 369,545.00
Funds expended	<u>369,545.00</u>
Excess (deficiency) of Funds Advanced	\$ <u>-----</u>

2. The costs as shown on the Actual Cost Certificate dated May 9, 2007 submitted to HUD for approval is in agreement with the PHA's records as of December 31, 2007.
3. All costs have been paid and all related liabilities have been discharged through payments.

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

**PHA'S STATEMENT AND CERTIFICATION OF
CAPITAL FUND PROGRAM COSTS**

December 31, 2007

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-05</u>
Funds approved	\$ 344,436.00
Funds expended	<u>344,436.00</u>
Excess of Funds Approved	\$ <u>-----</u>
Funds advanced	\$ 344,436.00
Funds expended	<u>344,436.00</u>
Excess (deficiency) of Funds Advanced	\$ <u>-----</u>

2. The costs as shown on the Actual Cost Certificate dated August 6, 2007 submitted to HUD for approval is in agreement with the PHA's records as of December 31, 2007.
3. All costs have been paid and all related liabilities have been discharged through payments.

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

FINANCIAL DATA SCHEDULE

Year Ended December 31, 2007

FDS Line Item No.		Low Rent Program 14.850a	Housing Choice Vouchers 14.871
	Assets:		
	Current Assets:		
	Cash		
111	Cash-unrestricted	\$ 250,588.23	\$ 59,633.07
113	Cash-other restricted	-----	76,314.00
114	Cash-tenant security deposits	<u>74,793.00</u>	<u>-----</u>
100	Total cash	<u>325,381.23</u>	<u>135,947.07</u>
	Accounts and notes receivable:		
126	Accounts receivable- tenants-dwelling rents	147.19	-----
126.1	Allowance for doubtful accounts-dwelling rents	(14.72)	-----
128	Fraud recovery	5,115.20	-----
128.1	Allowance for doubtful accounts-fraud	(3,836.40)	-----
129	Accrued interest receivable	<u>18,289.00</u>	<u>-----</u>
120	Total receivables, net of allowance for doubtful accounts	<u>19,700.27</u>	<u>-----</u>
	Current investments:		
131	Investments-unrestricted	964,799.64	-----
142	Prepaid expenses and other assets	26,519.90	2,102.00
143	Inventories	12,815.63	-----
143.1	Allowance for obsolete inventories	(1,281.56)	-----
144/ (347)	Interprogram due from	<u>57,721.17</u>	<u>(55,011.14)</u>
150	Total current assets	<u>1,405,656.28</u>	<u>83,037.93</u>
	Noncurrent Assets:		
	Fixed assets:		
161	Land	526,000.00	-----
162	Buildings	7,023,857.18	-----
163	Furniture, equipment and machinery-dwellings	85,033.54	-----
164	Furniture, equipment and machinery-administration	124,302.93	-----
165	Leasehold improvements	3,372,864.82	-----
166	Accumulated depreciation	<u>(6,262,925.73)</u>	<u>-----</u>
160	Total fixed assets, net of accumulated depreciation	<u>4,869,132.74</u>	<u>-----</u>

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2007

FDS Line Item No.		Low Rent Program 14.850a	Housing Choice Vouchers 14.871
180	Total noncurrent assets	<u>4,869,132.74</u>	<u>-----</u>
190	Total Assets	<u>\$ 6,274,789.02</u>	<u>\$ 83,037.93</u>
	Liabilities and Equity:		
	Liabilities:		
	Current Liabilities:		
312	Accounts payable < 90 days	\$ (13,829.90)	\$ (400.00)
321	Accrued wage / payroll taxes payable	(31,414.08)	-----
322	Accrued compensated absences- current portion	(3,023.00)	-----
333	Accounts payable -other government	(62,105.87)	-----
341	Tenant security deposits	(74,793.00)	-----
342	Deferred revenues	(1,859.73)	-----
346	Accrued liabilities-other	<u>(43,286.25)</u>	<u>-----</u>
310	Total current liabilities	<u>(230,311.83)</u>	<u>(400.00)</u>
	Noncurrent Liabilities:		
354	Accrued compensated absences- non current portion	<u>(27,211.59)</u>	<u>-----</u>
350	Total noncurrent liabilities	<u>(27,211.59)</u>	<u>-----</u>
300	Total liabilities	<u>(257,523.42)</u>	<u>(400.00)</u>
	Equity:		
508.1	Investment in capital assets , Net of Related Debt	<u>(4,869,132.74)</u>	<u>-----</u>
	Reserved for HAP	<u>-----</u>	<u>(76,314.00)</u>
511.1	Restricted Net Assets	<u>-----</u>	<u>(76,314.00)</u>
512.1	Unrestricted Net Assets	<u>(1,148,132.86)</u>	<u>(6,323.93)</u>
600	Total Liabilities and Equity	<u>\$ (6,274,789.02)</u>	<u>\$ (83,037.93)</u>

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2007

FDS Line Item No.		Low Rent Program 14.850a	Housing Choice Vouchers 14.871
	Revenue:		
703	Net rental revenue	\$ (841,738.00)	\$ -----
704	Tenant revenue-other	(7,091.00)	-----
705	Total tenant revenue	(848,829.00)	-----
706	HUD PHA operating grants	(291,681.00)	(579,043.00)
711	Investment income-unrestricted	(53,205.30)	(2,759.39)
714	Fraud recovery	-----	(1,894.00)
715	Other revenue	(11,546.56)	-----
720	Investment income-restricted	-----	(1,125.00)
700	Total revenue	(1,205,261.86)	(584,821.39)
	Expenses:		
	Administrative		
911	Administrative salaries	171,983.98	33,000.00
912	Auditing fees	4,650.00	-----
914	Compensated absences	2,377.10	-----
915	Employee benefit contributions-administrative	114,731.00	12,000.00
916	Other operating-administrative	49,418.88	2,400.00
	Tenant services		
924	Tenant services-other	8,369.57	-----
	Utilities		
931	Water	40,574.88	-----
932	Electricity	81,872.14	-----
933	Gas	78,747.17	-----
	Ordinary maintenance and operation		
941	Ordinary maintenance and operation-labor	178,924.48	-----
942	Ordinary maintenance and operation-materials & other	44,801.91	-----
943	Ordinary maintenance and operation-contract costs	88,310.84	-----
945	Employee benefit contributions-ordinary maintenance	119,414.70	-----

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2007

FDS Line Item No.		Low Rent Program 14.850a	Housing Choice Vouchers 14.871
	General expenses		
961	Insurance premiums	42,910.00	----
963	Payments in lieu of taxes	62,105.87	----
964	Bad debts- tenant rents	(868.97)	----
969	Total operating expenses	<u>1,088,323.55</u>	<u>47,400.00</u>
970	Excess (deficit) operating revenue over operating expenses	<u>116,938.31</u>	<u>537,421.39</u>
972	Casualty losses-non capitalized	1,538.60	----
973	Housing assistance payments	----	461,565.00
974	Depreciation expense	<u>359,289.31</u>	<u>----</u>
	Total expenses other than total operating	<u>360,827.91</u>	<u>461,565.00</u>
	Excess (deficit) of revenue over expenses before		
1000	operating transfers in (out) and depreciation add back	(243,889.60)	75,856.39
1001	Operating transfers in	<u>50,700.00</u>	<u>----</u>
	Excess (deficit) of revenue over expenses after		
	operating transfers in (out) and depreciation add back	<u>\$ (193,189.60)</u>	<u>\$ 75,856.39</u>

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2007

FDS Line Item No.		Capital Fund Program 14.872	Total
	Assets:		
	Current Assets:		
	Cash		
111	Cash-unrestricted	\$ -----	\$ 310,221.30
113	Cash-other restricted	-----	76,314.00
114	Cash-tenant security deposits	-----	74,793.00
100	Total cash	-----	461,328.30
	Accounts and notes receivable:		
122	Accounts receivable-HUD	2,710.03	2,710.03
126	Accounts receivable- tenants-dwelling rents	-----	147.19
126.1	Allowance for doubtful accounts-dwelling rents	-----	(14.72)
128	Fraud recovery	-----	5,115.20
128.1	Allowance for doubtful accounts-fraud	-----	(3,836.40)
129	Accrued interest receivable	-----	18,289.00
120	Total receivables, net of allowance for doubtful accounts	2,710.03	22,410.30
	Current investments:		
131	Investments-unrestricted	-----	964,799.64
142	Prepaid expenses and other assets	-----	28,621.90
143	Inventories	-----	12,815.63
143.1	Allowance for obsolete inventories	-----	(1,281.56)
144/			
(347)	Interprogram due from	(2,710.03)	-----
150	Total current assets	-----	1,488,694.21
	Noncurrent Assets:		
	Fixed assets:		
161	Land	-----	526,000.00
162	Buildings	-----	7,023,857.18
163	Furniture, equipment and machinery-dwellings	-----	85,033.54
164	Furniture, equipment and machinery-administration	21,008.00	145,310.93
165	Leasehold improvements	783,783.28	4,156,648.10
166	Accumulated depreciation	(44,181.70)	(6,307,107.43)
160	Total fixed assets, net of accumulated depreciation	760,609.58	5,629,742.32

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2007

FDS Line Item No.		Capital Fund Program 14.872	Total
180	Total noncurrent assets	760,609.58	5,629,742.32
190	Total Assets	<u>\$ 760,609.58</u>	<u>\$ 7,118,436.53</u>
	Liabilities and Equity:		
	Liabilities:		
	Current Liabilities:		
312	Accounts payable < 90 days	\$ -----	\$ (14,229.90)
321	Accrued wage / payroll taxes payable	-----	(31,414.08)
322	Accrued compensated absences- current portion	-----	(3,023.00)
333	Accounts payable -other government	-----	(62,105.87)
341	Tenant security deposits	-----	(74,793.00)
342	Deferred revenues	-----	(1,859.73)
346	Accrued liabilities-other	-----	(43,286.25)
310	Total current liabilities	-----	(230,711.83)
	Noncurrent Liabilities:		
354	Accrued compensated absences- non current portion	-----	(27,211.59)
350	Total noncurrent liabilities	-----	(27,211.59)
300	Total liabilities	-----	(257,923.42)
	Equity:		
508.1	Investment in capital assets , Net of Related Debt	(760,609.58)	(5,629,742.32)
	Reserved for HAP	-----	(76,314.00)
511.1	Restricted Net Assets	-----	(76,314.00)
512.1	Unrestricted Net Assets	-----	(1,154,456.79)
600	Total Liabilities and Equity	<u>\$ (760,609.58)</u>	<u>\$ (7,118,436.53)</u>

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2007

FDS Line Item No.		Capital Fund Program 14.872	Total
	Revenue:		
703	Net rental revenue	\$ -----	\$ (841,738.00)
704	Tenant revenue-other	-----	(7,091.00)
705	Total tenant revenue	-----	(848,829.00)
706	HUD PHA operating grants	(98,139.56)	(968,863.56)
706.1	HUD PHA capital grants	(564,819.65)	(564,819.65)
711	Investment income-unrestricted	-----	(55,964.69)
714	Fraud recovery	-----	(1,894.00)
715	Other revenue	-----	(11,546.56)
720	Investment income-restricted	-----	(1,125.00)
700	Total revenue	(662,959.21)	(2,453,042.46)
	Expenses:		
	Administrative		
911	Administrative salaries	18,996.00	223,979.98
912	Auditing fees	-----	4,650.00
914	Compensated absences	-----	2,377.10
915	Employee benefit contributions-administrative	-----	126,731.00
916	Other operating-administrative	13,912.56	65,731.44
	Tenant services		
924	Tenant services-other	-----	8,369.57
	Utilities		
931	Water	-----	40,574.88
932	Electricity	-----	81,872.14
933	Gas	-----	78,747.17
	Ordinary maintenance and operation		
941	Ordinary maintenance and operation-labor	12,504.00	191,428.48
942	Ordinary maintenance and operation-materials & other	2,027.00	46,828.91
943	Ordinary maintenance and operation-contract costs	-----	88,310.84
945	Employee benefit contributions-ordinary maintenance	-----	119,414.70

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2007

FDS Line Item No.		Capital Fund Program 14.872	Total
	General expenses		
961	Insurance premiums	----	42,910.00
963	Payments in lieu of taxes	----	62,105.87
964	Bad debts- tenant rents	----	(868.97)
969	Total operating expenses	<u>47,439.56</u>	<u>1,183,163.11</u>
970	Excess (deficit) operating revenue over operating expenses	<u>615,519.65</u>	<u>1,269,879.35</u>
972	Casualty losses-non capitalized	----	1,538.60
973	Housing assistance payments	----	461,565.00
974	Depreciation expense	<u>37,962.31</u>	<u>397,251.62</u>
	Total expenses other than total operating	<u>37,962.31</u>	<u>860,355.22</u>
	Excess (deficit) of revenue over expenses before		
1000	operating transfers in (out) and depreciation add back	577,557.34	409,524.13
1001	Operating transfers in	----	50,700.00
1002	Operating transfers out	<u>(50,700.00)</u>	<u>(50,700.00)</u>
	Excess (deficit) of revenue over expenses after		
	operating transfers in (out) and depreciation add back	<u>\$ 526,857.34</u>	<u>\$ 409,524.13</u>

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards***

Board of Commissioners
St. Clair Shores Housing Commission
St. Clair Shores, Michigan

We have audited the basic financial statements of the St. Clair Shores Housing Commission, Michigan, (Commission) as of and for the year ended December 31, 2007, and have issued our report thereon dated May 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Commission's financial statements that is more than inconsequential will not be prevented or detected by the Commission's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Commission's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency above is not a material weakness.

Sailor

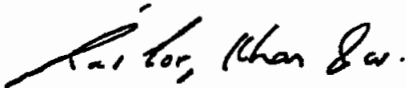
Khan & Co. LLC

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs.

The Commission's written response to the significant deficiency identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and uses of management, the Board of Commissioners, others within the Commission, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Sailor, Khan & Co. LLC
May 29, 2008

Khan & Co. LLC**Report on Compliance with Requirements Applicable to Each Major Program and on
Internal Control over Compliance in Accordance with OMB Circular A-133**

Board of Commissioners
St. Clair Shores Housing Commission
St. Clair Shores, Michigan

Compliance

We have audited the compliance of the St. Clair Shores Housing Commission, Michigan, (Commission) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Commission's compliance with those requirements.

In our opinion, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal program. In planning and performing our audit, we considered the Commission's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

A *control deficiency* in an Commission's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Commission's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Commission's internal control.

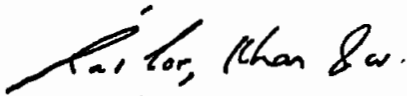
Sailor

Khan & Co. LLC

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Commission's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the Commission's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses as defined above.

This report is intended for the information and use of the St. Clair Shores Housing Commission, Michigan's management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Sailor, Khan & Co. LLC
May 29, 2008

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

SIGNIFICANT DEFICIENCIES COMMUNICATED IN PRIOR YEARS

December 31, 2007

The prior audit report for the year ended December 31, 2006 contained no significant deficiencies.

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2007

SECTION I - SUMMARY OF AUDITOR RESULTS

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
▶ Material weakness(es) identified?	No
▶ Significant deficiency (ies) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No
Is a "going concern" explanatory paragraph included in audit report?	No

Federal Awards:

Internal control over major programs:	
▶ Material weakness(es) identified?	No
▶ Significant deficiency (ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) on Circular A-133?	No
Identification of major programs:	

CFDA

Number(s)	Name of Federal Program
------------------	--------------------------------

14-871	Section 8 Housing Choice Vouchers
14-872	Public and Indian Housing - Capital Fund Program

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

December 31, 2007

SECTION II - FINANCIAL STATEMENT FINDINGS

The current audit report for the year ended December 31, 2007 disclosed the following Financial Statement audit findings:

I. Internal Control Procedures

Criteria:

To ensure effectiveness of Internal Control, there needs to be an adequate design of internal controls describing the separation of primary functions. Internal control design must be considered to create effective segregation of primary duties and to strengthen the control environment.

Condition:

We noted that the Authority's internal control procedures are not sufficient.

Questioned Costs:

none

Effect:

In the absence of adequate internal control procedures there is an increased risk of error and other intentional activities that could affect the integrity of the financial statements or physical custody of assets.

Cause:

The Authority's internal control policy and procedures are not adequate.

Recommendation:

We recommend the Authority's management and its Board design a system of internal control procedures that would address all of the features of an effective internal control system with due consideration to the limitations imposed on the system.

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

December 31, 2007

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

1. Internal Control Procedures (Continued)

Management's Response/Action Plan:

The Housing Commission has reviewed the finding with the Auditor for clarity and specifics and we find the following:

- Internal Control practice in place are adequate with one exception:

Monthly general ledgers prepared by accountant are being reviewed in house, but not acknowledged (initialed) through written documentation; and

The lack of this file documentation is basis and justification for this finding.
 - The Housing Commission will begin this process without delay.
 - The Housing Commission has already started with the May 31 ledgers.
 - The Housing Commission will continue to monitor operations for strong evidence of internal control practices and enhance as noted.
- Internal Control policies and/or (written) procedures:

Not specifically required, but are considered a fundamental base for internal control; and
 - The Housing Commission has written logs, charts, and guidelines, but could go further to describe check and balance systems in place.
 - The Housing Commission will extend current guidelines as recommended to include description of checks and balances in place.

The Executive Director, Mary Walsh, will be responsible for insuring the above response is implemented immediately.

ST. CLAIR SHORES HOUSING COMMISSION

St. Clair Shores, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

December 31, 2007

SECTION III - FEDERAL AWARD FINDINGS

The current audit report for the year ended December 31, 2007 disclosed no Federal Awards audit findings.